

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

C O N F I D E N T I A L STATE 009619

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E.O. 11652: GDS

TAGS: EAGR, ETRD, US, RP

SUBJECT: SUGAR

REFS: A. STATE 007003

B. STATE 008026

FOR AMBASSADOR SULLIVAN

1. LATEST AGRICULTURE DEPARTMENT ANNOUNCEMENT OF REQUEST FOR SUGAR IMPORTS ON FIRST-COME, FIRST-SERVED BASIS WAS BASED ON DETERMINATION BY SECRETARY OF AGRICULTURE, PER SECTION 202(D)(2) OF U.S. SUGAR ACT THAT "LIMITED SUGAR SUPPLIES AND INCREASES IN PRICES MAY CREATE AN EMERGENCY SITUATION..." WE UNDERSTAND AGRICULTURE HAS BEEN UNDER PRESSURE FROM COST OF LIVING COUNCIL TO TAKE EVERY MEASURE POSSIBLE TO RESTRAIN PRICE INCREASES IN U.S. AND THUS ARGUES UNUSUAL ACTION NECESSARY.

2. FOR EMBASSY'S INFORMATION, STATE WAS INFORMED IN ADVANCE OF AGRICULTURE DECISION AND CONCURRED. WE ARE, HOWEVER, NOT SANGUINE ACTION WILL RESULT IN INCREASED SHIPMENTS TO U.S.

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DURING FIRST QUARTER 1974. IF NOT, AND PRICES REMAIN HIGH,

USDA MAY RECOMMEND THAT SECTION 408(A) OF ACT BE INVOKED, THUS SUSPENDING ALL QUOTA AND PRICE PROVISIONS OF ACT, AND IN EFFECT MAKING U.S. FREE MARKET IMPORTER AT LEAST UNTIL CURRENT TIGHT SUPPLY PERIOD EASES. THIS WOULD PRESUMABLY BE DONE WITHIN NEXT SEVERAL WEEKS.

3. EFFECT OF JANUARY 11 ANNOUNCEMENT AND POSSIBLE USE SECTION 408(A), WHICH BEING DISCUSSED IN DOMESTIC INDUSTRY, HAS BEEN TO CREATE CONSIDERABLE MARKET UNCERTAINTY. IF LATTER STEP TAKEN, WE WOULD EXPECT U.S. PRICE TO RISE, AT LEAST IN SHORT RUN. IN SUCH A NON-QUOTA SITUATION, PHILS WOULD HAVE TO MAKE OWN DECISION ON WHETHER THEY WISH SELL TO U.S. OR TO OTHER MARKETS SUCH AS JAPAN, WHERE THEY WOULD HAVE FREIGHT RATE ADVANTAGE. THEY SHOULD BE AWARE, HOWEVER, THAT LATTER COURSE WOULD JEOPARDIZE THEIR POSITION SHOULD SUGAR ACT QUOTAS ULTIMATELY BE EXTENDED.

4. PLEASE REPORT REACTION TO USDA ACTION ANNOUNCED REFTELS.

RUSH

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Message Attributes

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